

Introduced by Senator Ashburn

February 22, 2005

An act relating to public employee retirement systems.

LEGISLATIVE COUNSEL'S DIGEST

SB 880, as amended, Ashburn. Public employees' retirement: contingency reserves.

Existing law creates retirement systems for state and local public agencies, and both employers and employees make contributions to these systems for the purpose of funding benefits. ~~The Public Employees' Retirement Law~~ Existing law provides for the employer contribution rates under the ~~system~~ *Public Employees' Retirement System* to be determined annually by the actuary of the Board of Administration of the system.

This bill would ~~state the intent of the Legislature to enact the legislation that creates contingency reserve funds in the Public Employees' Retirement System, the State Teachers' Retirement System, and in local retirement systems, subject to formal adoption, as specified~~ *authorize the Board of Administration of the Public Employees' Retirement System and the retirement boards of city, county, city and county, and district retirement systems to create Pension Contribution Stabilization Accounts, as specified. These contingency funds accounts would be funded in years when an investment gain is realized in the existing retirement funds by employer and employee contributions, as specified, and the moneys in them would be used to supplement employer contributions in years when investment loss is realized* *accrued liabilities exceed the actuarial value of the retirement system's assets.* The funds would be used solely for paying liabilities that would be otherwise unfunded.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. It is the intent of the Legislature to enact~~
2 ~~legislation that does all of the following:~~
3 ~~(a) Creates contingency reserve funds in the Public~~
4 ~~Employees' Retirement System, the State Teachers' Retirement~~
5 ~~System, and in local retirement systems, subject to adoption by a~~
6 ~~majority vote of the appropriate governing body or the electorate.~~
7 ~~(b) These contingency funds would~~ *The Board of*
8 ~~Administration of the Public Employees' Retirement System and~~
9 ~~the retirement boards of city, county, city and county, and district~~
10 ~~retirement systems are authorized to create Pension Contribution~~
11 ~~Stabilization Accounts that have the following characteristics:~~
12 ~~(a) The Pension Contribution Stabilization Account shall be~~
13 ~~funded in years when there is an investment gain in the existing~~
14 ~~retirement funds. New laws would mandate continued employer~~
15 ~~and employee the actuarial value of the retirement system's~~
16 ~~assets exceeds its accrued liability. Continued employer~~
17 ~~contributions shall be required at this time and these moneys~~
18 ~~would shall be placed in the contingency funds Pension~~
19 ~~Contribution Stabilization Account. The combined contribution~~
20 ~~of an employer and employee at this time would equal a~~
21 ~~minimum of 5 _____ percent of each employee's gross~~
22 ~~compensation.~~
23 ~~(c) In years when investment loss is realized the actuarial~~
24 ~~value of a retirement system's assets does not exceed its accrued~~
25 ~~liability, funds in contingency reserve the Pension Contribution~~
26 ~~Stabilization Account would be used to supplement the employer~~
27 ~~contributions, which do not otherwise meet the funding needs at~~
28 ~~that time. No contribution would shall be made to the~~
29 ~~contingency reserve Pension Contribution Stabilization Account~~
30 ~~in these times.~~
31 ~~(d) The contingency reserve funds would~~ *Funds in the Pension*
32 ~~Contribution Stabilization Account shall be used solely for~~
33 ~~paying liabilities that would be otherwise unfunded, and they~~
34 ~~would be~~ *are prohibited from use for leveraging increased*
35 ~~benefits or reducing employee contributions.~~

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